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OPEN MEETING AGENDA ITEM

PUBLIC COMMENT STATEMENT
of **JAMES D. DOWNING, P.E.**
to the Arizona Corporation Commission in
Docket No. L-00000D-14-0292-00169
November 5, 2014

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ARIZONA CORPORATION COMMISSION
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To the Honorable Chairman Stump and Commissioners:

I am a Registered Professional Engineer and the contract manager of two public electric utility entities. I have been a residential retail customer of Arizona Public Service Company (APS) since 1987. I have carefully studied for many years the details of APS' own reported capital investment and other financial and operations metrics. I am appalled at the dramatic rate at which APS continues to acquire and construct generation and transmission plant, and thus add to its ever-expanding rate base and revenues. The growth rate of APS' depreciated utility plant far outpaces any growth in the demand for and sales of APS electricity (which have been essentially flat or declining in recent years).

According to the Statistical Reports archived on the Pinnacle West web site, beginning for Calendar Year 2004 and ending for Calendar Year 2013:

- APS depreciated utility plant divided by peak demand increased from \$1,002,171 to \$1,560,475 per MW -- a 55% increase.
- APS depreciated utility plant divided by retail sales increased from \$246.85 to \$387.67 per MWh -- a 57% increase.
- APS depreciated utility plant divided by total sales increased from \$109.38 to \$339.89 per MWh -- a 210% increase.

Allowing this unconstrained growth of plant and rate base to continue while electricity costs rise and less electricity is used by APS customers puts APS and its customers into a death spiral.

In the present case of the Ocotillo Plant "modernization" -- a euphemistic term for plant "expansion" -- RUCO got it right with its initial pleadings and evidence demonstrating that there is *no need* for the expanded facility in the near-term proposed timeline for constructing all of the new units. This is yet another case of hundreds of millions of dollars in capital expenditures and plant growth unsupported by recent, current or reasonably projected load growth or sales. The Commission should thoroughly examine the facts and evidence in the record regarding need, irrespective of RUCO's "settlement" abdication of its correct position that the project is not needed.

The Commission should deny approval of the Certificate of Environmental Compatibility (CEC) or, alternatively, require an additional condition in the CEC deferring construction of the new units indefinitely until there is an *independent* analysis and demonstration of compelling need for this major capital expansion commensurate with real growth in actual load and sales. Additionally, to the extent this project is being rationalized as necessary for "integration of renewables", at a minimum the costs should be appropriately allocated so as to reflect such addition to the true cost of those renewables.

Thank you for your consideration of this comment.

Respectfully, James D. Downing

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Arizona Corporation Commission

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